

CANADIAN POWER AND PAPER INVESTMENTS, LIMITED

355 ST. JAMES STREET WEST

MONTREAL

CANADA

Montreal, 2nd October, 1940.

To the Shareholders:

Your Directors submit the Annual Report of your Company for the year ended July 31st, 1940, including Balance Sheet and Statements of Profit and Loss and Surplus Accounts, which have been certified to by the Company's auditors, Messrs. P. S. Ross & Sons.

Debentures to the principal amount of \$45,200 were purchased by the Company during the year and cancelled.

In September, 1940, in accordance with Supplementary Trust Agreement made between the Company and the Montreal Trust Company, as Trustee, under date of October 24th, 1934, the Auditors deposited a Certificate with the Trustee to the effect that there were no earnings available for the accounting period ended July 31st, 1940, for arrears of interest on the 5% Thirty-Year Debentures, Series "A", of the Company. Debenture interest for the year under review was paid as it became due.

The balance of the Investment Reserve Account which was set up for depreciation in investment securities, amounting to \$73,292,65, was increased during the past fiscal year by \$12,500,00, and the Investment Reserve Account now amounts to \$85,792,65.

Respectfully submitted on behalf of the Board,

J. ALDERIC RAYMOND,
President.

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Diversification of Investments

Based on Current Values as at 31st July, 1940

	<i>Bonds</i>	<i>Preferred Stocks</i>	<i>Common Stocks</i>	<i>Total</i>
Public Utilities.....		36.67	18.85	55.52% (A)
Pulp and Paper.....	2.79		17.22	20.01 (B)
Foodstuffs and Beverages.....	6.62	3.33	1.34	11.29
Mining and Smelting.....			4.81	4.81
Oil.....			1.65	1.65
Textile, Iron, Steel, Coal, etc.....		3.37	3.25	6.62
Railroads and Real Estate.....	.10			.10
	<u>9.51%</u>	<u>43.37%</u>	<u>47.12%</u>	<u>100.00%</u>

(A) Consisting largely of Power Corporation of Canada, Limited.
(B) Consisting largely of Bathurst Power & Paper Company, Limited.

NOTE:—The change in percentages shown this year as against last year is due principally to changes in market values of securities rather than quantity of securities held.

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CANADIAN POWER & PAPER INVESTMENTS, LIMITED

Statement of Profit and Loss Account for the year ended 31st July, 1940

REVENUE

Revenue from Investments.....	\$ 67,107.85	
Bank Interest.....	57.57	
Profit on Exchange.....	823.23	
		<u>\$ 67,988.65</u>

EXPENDITURE

Audit Fees.....	300.00	
General Expense.....	412.89	
Insurance.....	273.14	
Legal Expense.....	175.00	
Salaries—Clerical and Secretarial.....	1,200.00	
Taxes.....	1,024.96	
Trustee's, Transfer Agent's, Registrar's and Paying Agent's Fees...	1,712.89	
Directors' Fees.....	1,500.00	
Debenture Interest.....	44,551.04	
Foreign Exchange on Debenture Interest paid during the year.....	3,885.41	
Income Taxes paid and provided for.....	467.75	
Provision for Depreciation on Investment Securities in accordance with Resolution of Directors.....	12,500.00	68,003.08
Deficit for the year ended 31st July, 1940, transferred to Earned Surplus Account.		<u>\$ 14.43</u>

Statement of Earned Surplus Account as at 31st July, 1940

Balance at Credit 31st July, 1939.....	\$ 11,576.01
ADD: Reduction in Liability for Debenture Interest accrued to 31st July 1939, resulting from— Purchase and Cancellation during the year ended 31st July 1940 of \$45,200.00 principal amount of 5% Debentures...	10,170.00
	<u>\$ 21,746.01</u>
DEDUCT: Loss from Operations for the year ended 31st July, 1940.....	14.43
Balance at Credit 31st July, 1940.....	<u>\$ 21,731.58</u>

Statement of Capital Surplus Account as at 31st July, 1940

Balance at Credit 31st July, 1939.....	\$ 19,798.98
ADD: Discount on Debentures Purchased and Cancelled.....	8,667.00
	<u>\$ 28,465.98</u>
DEDUCT: Loss resulting from Sales of Investment Securities.....	84,030.81
Balance at Debit 31st July, 1940.....	<u>\$ 55,564.83</u>

Schedule of Investment Reserve Account as at 31st July, 1940

Balance at Credit 31st July, 1939.....	\$ 73,292.65
Appropriation from Profit and Loss Account for the year ended 31st July, 1940 in accordance with Resolution of Directors.....	12,500.00
Balance at Credit 31st July, 1940.....	<u>\$ 85,792.65</u>

CANADIAN POWER & PAPER INVESTMENTS, LIMITED

Balance Sheet *as at 31st July, 1940*

ASSETS

Cash in Banks.....		\$ 36,887.88
Investments at cost:		
Bonds.....	\$ 160,261.10	
Preferred Stocks.....	773,440.37	
Common Stocks.....	3,621,569.69	
		<u>4,555,271.16</u>
(The aggregate value of these Investments at quoted market prices at 31st July, 1940, was \$1,046,099.84.)		
Accrued Interest on Investments.....		1,425.00
Prepaid Taxes, Insurance, etc.....		965.97
Capital Deficit—as per statement attached.....	55,564.83	
Less Earned Surplus—as per statement attached.....	21,731.58	
		<u>33,833.25</u>
		<u><u>\$4,628,383.26</u></u>

LIABILITIES

Accounts Payable and Accrued Liabilities.....	\$ 3,315.61	
Provision for Provincial Profit Tax.....	25.00	
		<u>\$ 3,340.61</u>
Interest accrued on outstanding Debentures from 1st February, 1934 to 31st July, 1940, payable in Canadian or United States Dollars or Sterling.....		217,850.00
Investment Reserve.....		85,792.65
5% Thirty Year Debentures, Series "A", due 1st February, 1958: Outstanding 31st July, 1939.....	\$ 916,600.00	
DEDUCT: Purchased and cancelled during the year ended 31st July, 1940.....	45,200.00	
		<u>871,400.00</u>
Cumulative Preferred Shares:		
(Redeemable at \$52.50 per share):		
Authorized and Issued: 50,000 shares of No Par Value.....		2,500,000.00
(of which 6,349 shares were in hands of transfer agent for distribution on share for share basis to holders of 5% Cumulative Convertible Preferred Shares upon surrender thereof).		
Common Stock:		
Authorized—96,000 shares of No Par Value.		
Issued —94,000 shares.....		950,000.00
(of which 11,428-2/50 shares were outstanding in excess of present requirements for distribution under terms of Supplementary Letters Patent dated 6th September 1934).		
		<u><u>\$4,628,383.26</u></u>

Approved on behalf of the Board:

J. ALDERIC RAYMOND	} Directors.
E. R. BREMNER	
COLIN W. G. GIBSON	

Auditors' Report

CANADIAN POWER AND PAPER INVESTMENTS, LIMITED, MONTREAL:

We have audited the accounts of Canadian Power and Paper Investments, Limited, for the year ended 31st July, 1940, and have obtained all the information and explanations we have required.

We certify that, in our opinion, the above Balance Sheet is drawn up so as to set forth a true and correct view of the financial position of the Company at 31st July, 1940, and that the Profit and Loss and Surplus Accounts show the results from operations for the year ended the same date, according to the best of our information, the explanations given to us and as shown by the books of the Company.

MONTREAL, QUE., 10th September, 1940.

(Signed) P. S. ROSS & SONS,
Chartered Accountants.

CANADIAN POWER AND PAPER
INVESTMENTS, LIMITED

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Annual Report
at 31st July, 1940



Head Office:
355 ST. JAMES STREET WEST
MONTREAL
CANADA